Property Doctors prescribe installed sales business

(Continued from page 1)
Gibson approached O'Malley's because of the chain's 80-year market history. "We felt that its format would be conducive to the success of our program," said Gibson.

Dick Wood, O'Malley's merchandise manager, declined comment on the program.

Unlike Mr. Build, a franchised installed sales program, Property Doctors operates on a membership basis with contractor members paying annual fees of $1,700, which include marketing programs, a national registered certified member program, use of the logo and educational opportunities.

Burleson predicts that the Property Doctors program will be nationwide within three to five years.

Another difference between Property Doctors and Mr. Build is that Property Doctors acts as a dispatcher between the home center and the builder, where contractors in Mr. Build's program have direct retailer contact.

While O'Malley's will have an exclusive agreement with Property Doctors in Phoenix, Gibson said there are some instances where a group of independents in a market are interested in forming a type of cooperative agreement with Property Doctors so that they may better compete with larger home centers in the market.

"We've had a lot of different responses to exclusivity," said Gibson, who acknowledged that the O'Malley program was exclusive in Phoenix.

According to Gibson, Property Doctors' ultimate goal is to bring standardization to installed sales in the retail marketplace.

Diamond to debut its first remodeled unit

(Continued from page 2)
chandise beneath the displays to lure contractors.

The major chunk of Diamond's business is contractors, but Schaffer said the New England stores are in more DIY-oriented markets.

While focusing on booming New England, Schaffer said Diamond is also interested in Colorado, where conditions have been depressed.

"The market is coming back. It bottomed out mid- to third-quarter 1987."

The store will be Diamond's seventh in Colorado. It has a 3,000-square-foot showroom, a 10,000-square-foot warehouse and a yard.

Attached to the store will be a sales office that Schaffer said Diamond hopes will become the operating base for its contractor salesman in that part of the country.

Diamond's reorganization plan has been voted on by shareholders and creditors, and a review hearing in federal bankruptcy court was conducted April 1. The court was expected to approve of the plan.

A $65 million line of credit with CIT, a division of Manufacturers Hanover Trust, was extended through April 11. Once the plan is approved, Diamond is expected to sign a three-year, $70 million credit agreement with CIT.

CoastAmerica will offer its services to BMA dealers

(Continued from page 2)
combine the advantages of a relationship with both companies."

One result of the relationship with CoastAmerica is that the hardware co-op will begin buying some stockkeeping units more appropriate for commodities dealers, said Dodge.

Dodge thought the goal of the relationship with CoastAmerica is to serve BMA's diverse independents even better.

"We have members of different sizes, of different sales mixes, in different regional economies," Dodge said. "They have their own distinct identities and pursue their markets in their own different ways.

"[Now] they will have access to two of the stronger co-op programs. We think the ultimate success of the plan will be in our dealers' sales."

BMA, which adds 50 to 70 dealers to its ranks per year, has about 800 dealer members operating from 1,800 locations. CoastAmerica has 1,000 members operating in 33 states.

Industry executives meet with financial analysts

(Continued from page 3)
summaries on the state of the industry, predicting a strong 1988, according to analysts.

Mead said the program was worthwhile "because it gave me the opportunity to meet with a lot of people in one place, but I think it needs to continue to evolve."

After the meeting, analysts were escorted onto the convention floor by home center executives who are members of the convention's Hall of Fame to meet with vendors, specifically those belonging to the DIY Research Institute.

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Vol. 14, No. 7 April 4, 1988

Index of Companies in This Issue

Aeroxon Products 58
ACO 3,49
AEG 60
All American 44,69
AMC Tools 69
American Brands 2
American Wood 2
American Securities 7
American Standard 2,3,61
Amerock Hardware 7,57
Ames Tool 8
Andersen Corp. 16,17,55
Argos Holdings 69
Auto Plus 2
B&B 69
Bayport Lumber 20
T. Bearington Designs 52
Benson 57
Beaver Lumber 69
Black & Decker 2,8,61,70
BMA 69
Boozer Lumber 31
Bowater Inc. 69
Mr. Build 70
Builder Marts of America 2
Builders Emporium 16,62
Builders Square 3
Building Supply 69
Bunzl PLC 1,69
The Butler Company 57
Canadian Tire 2
Capital Consolidated 1
Central Hardware 49
CertainTeed 2,69
Citicorp Capital Corp. 7
Clairson International 61
CoastAmerica 2
Coast to Coast 39,69
Collins & Aikman 62
Cox Lumber 47
DAP 39,42,44
Darworth Co. 42
Delta Faucets 57
Diamond Lumber 2,3,70
Dillman Builders 52
Disston 3
DIY Warehouse 69
Dow Chemical 39,44
Dow Corning 57
DRS Marketing 3
East Coast Lumber 69
Eclipse Ind. 1,69
Elco Corp. 4
Emhart Corp. 3,39,58
Erb Lumber 16,69
Ernst Home & Nursery 16,70
E-II Holdings 2
Expositions Inc. 16
1st Choice Inc. 8
Flexicon Systems 4
Fluidmaster Corp. 18
HB Fuller 39,44
Ganahl Lumber 10,18
GB Inno 69
Gee Lumber 39
General Electric 42
GE Silicon 44
Georgia Pacific 3,70
Gerrity Building Centers 56
Gibson Homans 39,44
Gittings Lumber 69
Mr. Goodbuys 69
Gossen 57
Grossman's 3,49,70
Haper Hinge 69
James Hardy Building Products 56
Hechinger 2,70
The Home Depot 3,16,69,70
Home Quarters Warehouse 56
Honeywell 39
Honsador Inc. 8
Huntington Materials Corp. 21
Intellectron 44
Intermatic 39,44
Jaeger Lumber 16,17
Keller Ind. 7
Kelso & Co. 2
Keystone 58
Kwikset Locks 8,57
Lawrence Hardware 57
Liberty Distributors 8,54
Lowe's 3,39,42,56,63,70
Macco 39,44
Makita 3
Manufacturers Hanover Trust 70
Manville 47
Masco 3,70
Masonite 56
Minwax Co. 58
Molson Cos. 69
Montgomery Securities 63
Moore Handley 61
Morgan Products 56
Moser Lumber 52
National Store Fixtures 63
Navarro & Associates 1,70
Newborn Brothers 44
Newell 70
NTW Tire 2
OBI 69
O'Malley's 70
Omni 2
Orchard Supply Hardware 16
Paint Factory 42
Parr Lumber 56
Payless Cashways 62,70
Payless DIY 63,69
Pay 'N Pak 69
Pease Industries 47
Peerless Faucets 70
Penco 42
Pergament 3,20,49,63
Peugeot 69
Plasteco 47
Ply-Marts 56
Property Doctors 1,70
Rauschenberger Construction 52
Red Devil 42
Robinson-Humphrey 3
Roxide International 58
Compaignie de Saint-Gobain 2,69
Samsonite 2
Sashco Sealants 39
Scott & Springfellow 3
Scotty's 3,7,39,62,69,70
Sears 2
Sequoia Supply 63
Skil 8
Somerville 47,69,70
Southern California Edison 18
Stanley Works 8,39,69,70
Teco 57
Thompson & Formby 49
Tire America 2
Toys 'R' Us 10
Trustworthy 8,54
USG 56,61
Varelco 4
Vend America 69
Vendex International 69
Vermont American Handtools 7,57
Vroom Dreesmann 69
Weiser Lock 52
Westek 44
Western Auto Supply 2
Westlake 3
Weyerhaeuser 3,63,70
Wickes Cos. 4
Wing Ind. 69
Yale Security Products 69
Zayre Corp. 2

Index of Advertisers

Air Vent 58
American Hardware 32,33
American Stone Mix 53
Arrow Fastener 8
Bemis Mfg. 54
Beneficial Finance 50
Brainerd Mfg. 47,49
Butler Company 54
Celotex 14
Certainteed 7,62
Classic Architectural 31,37
Crawford 47
Croft Metals 19
Cole Sewell 4
CooperTools 55
Dexter Lock 62
Diamond F 62
Duracell 54
Dutch Boy 43
Eagle Electric 48
Fluidmaster 7
Forman Industries 47
Franklin International 4
General Marble 57
Georgia Pacific 23-30,40,41
Glidden 60
GTE Sylvania 12,13
Handy Store Fixtures 8
Hunter 60
Interbath 7
Keller Industries 64
Keystone Franklin 38
Keystone Steel & Wire 37
Khoury 8
Klean Strip 60
Knauf Fiberglass 47
Lane Publications 70
Leviton Mfg. 51
Loctite 56
Louisiana Pacific 20,21
Macco Adhesives 62
Magic American 56
Makita U.S.A. 11
Manville 35,36,37,45,46
Marshaltown Trowel 49
Merillat 72
Miracle Adhesives 42
Myro 18
National Mfg. 7
National Store Fixtures 4
Newborn Bros. 7,49
Ohio Sealants 71
Olin Chemical 34
Poulan/Weed Eater 57
Price Pfister 37
Quikrete 22
Rainbird 31
Sashco 31
Sentry Group 8
Sequentia 57
Spa Faucet 60
Square D 62
Stanley Door 7
Supreme Lighting 57
Teco 4
United Steel 31
W.W. Henry 52
Warp Bros. 8
Waxman Industries 9
Weiser Lock 37
Weyerhaeuser Wood 56
W.R. Bonsal 44

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National Home Center News®

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Current pay levels allay fears over higher minimum wage

By Edward McKinley

NATIONAL REPORT— Home center operators said they employ too many skilled, relatively high-paid hourly workers to be anxious over proposed increases in the federal minimum wage, despite adverse warnings from industry associations.

Associations have predicted that a hike in the minimum wage could cause a "ripple effect" that would increase all hourly wages, with the scenario anticipating higher-paid workers demanding raises to stay ahead of unskilled employees.

The U.S. Senate is considering a bill that boosts the wage floor from the current $3.35 an hour to $4.65 hourly by steps spread over several years.

A bill in the House of Representatives would raise the minimum by increments to $5.05 in four years.

Observers said election-year politicking appears likely to spur Congressional action by this summer, but most of the home center executives interviewed by *NHCN* said they expected little effect.

"My first reaction would be that it won't affect us," said

(Continued on page 91)

Lloyd parent puts troubled company on selling block

By Ariane Sains

STAMFORD, Conn. — The troubled Lloyd Home and Building Centers chain is for sale, just two months after its parent, American Maize Products Co., said it was "fully committed" to making Lloyd's profitable.

In a brief statement April 6, American Maize said it has retained Wright Investors' Service of Bridgeport, Conn., to find suitable buyers for the 34-store chain, based in Danbury, Conn.

Lloyd's president Tom Cawley said he was "totally positive" about a sale of a chain that has lost an estimated $17.8 million over the past four years.

"It's an opportunity for the company and whoever buys it. We're in wonderful shape. We've never been better staffed or merchandised."

American Maize spokesman Cynthia Z. Brighton would not comment on what the company considers a fair selling price to be, how long it will look for buyers, what it will do if a buyer is not found or who potential buyers might be. Wright also would not comment on its search for a buyer.

American Maize chairman William Ziegler, in the company's statement, said he would "protect the interests of Lloyd's dedicated employees, suppliers and customers."

Industry sources suggested that a foreign purchaser or leveraged buyout by the chain's management could

(Continued on page 92)

Tom Cawley, president of Lloyd. NHCN photo

East Coast streamlines Maine operations

Steve Lowe, general manager of East Coast Lumber. NHCN photo

By Elizabeth Brent

EAST HAMPSTEAD, N.H. — East Coast Lumber is streamlining its operations to better utilize its managerial talent and its Portland, Maine, retail store. This comes at a time when its Maine competitors are targeting their businesses more towards the consumer.

East Coast will shut down its kiln-drying facility at its Portland site and use the additional space to expand its retail showroom. The retail potential of the Portland site, which is located on a busy intersection, is not being fully utilized at present and the company hopes to double its sales in 1988.

The kiln-drying operation occupied 50 percent of the existing warehouse space and East Coast will convert 3,000 square feet into a kitchen, bath and millwork showroom. In addition it will expand its electrical and plumbing lines.

East Coast hopes that these improvements will boost sales from its present $6 million volume to $12 million, according to Steve Lowe, vp of Argus Holdings Ltd., the parent company of East Coast Lumber.

It is a timely move by East Coast because its neighbor, independent Fox Lumber, is constructing a new replacement 8,000-square-foot store a half-mile away, which will open this summer. This will contain an extensive kitchen department and is the four-unit company's first move away from the contractor trade in the Portland market.

(Continued on page 92)

Builderama shifts focus to decoratives

By an NHCN staff editor

SAVANNAH, Ga. — Builderama is switching its strategy from lumber and building materials to a stronger decorative image. The scheduled opening of its new store in West Columbia, S.C., next month will be the first store to reflect these changes.

"Margins are smaller on building materials and competition is more fierce," said Don Kole, president of the 11-unit chain. "But nobody is doing a good job in interior decor, which gives us the chance to improve margins and attract consumers."

This will be a brave move for the chain, which currently generates 20 percent of its total sales from building materials, according to Kole.

The new 30,500-square-foot store will move lumber and plywood products into

(Continued on page 91)

Diamond Lumber's parent gets approval on reorganization plan

By Ariane Sains

DALLAS — A federal court judge has approved Michigan General's reorganization plan, officially bringing it and subsidiary Diamond Lumber out of Chapter 11 bankruptcy.

The judge's order, signed April 1, comes after Michigan's and Diamond's stockholders and creditors voted overwhelmingly in favor of the plan.

By law, the order takes effect 10 business days after it is approved. Diamond's effective date is April 18.

Jerold Grubstein, Diamond's president and ceo, said that every creditor owed more than $100,000 voted for the plan.

After the votes were in, an elated Grubstein, referring to the months of Chapter 11 procedings, said, "I wouldn't want to do this again."

Under the plan, unsecured creditors with claims of less than $500 will be paid in full immediately.

Other creditors will be paid with

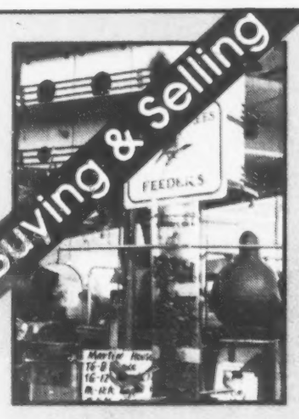
(Continued on page 91)

James T. Shaffer, senior vp Diamond Lumber (l) and Jerold Grubstein, president of Michigan General (r). NHCN photo

INSIDE

European chains expand with global perspective 20

British look to consolidate home markets 21



Dealers strike middle ground on faucet prices and styles 53

Bird house and feeder sales fly high 53

NEWSBREAKS

ICELANDIC DEALER BECOMES ACE HARDWARE MEMBER: BYKO, a four-store operator located outside of Reykjavik, will be serviced out of the Oak Brook, Ill.-based co-op's Baltimore distribution center, with the method of shipment to be determined by the dealer. BYKO recently converted a facility into a 25,000-square-foot home center with help from the National Retail Hardware Association. Its other stores average 10,000 to 15,000 square feet. It is the first member Ace has signed in Europe.

INDUSTRY UPDATE

Spanish firm buys into Ply-Gem

NEW YORK — A privately held Spanish investment company has acquired a 6.1 percent stake in Ply-Gem Industries for $7.6 million.

In a filing with the Securities and Exchange Commission in early April, Esfinco Inc. of Madrid said it might also seek a seat on Ply-Gem's board. But Esfinco said it was acquiring Ply-Gem's stock solely for investment purposes.

"I don't think there's any takeover involved," said Barry King, who follows Ply-Gem for Dean Witter Reynolds in New York. "I think it's just a long-term investment."

Through a spokesman, Ply-Gem chairman and president Jeffrey S. Silverman said he was also pleased.

"We believe in the value of our company and obviously they do too," Silverman said.

A manufacturer of building materials, Ply-Gem has moved aggressively in the past two years to acquire companies that complement its existing businesses.

Ply-Gem earned $25.8 million on revenues of $313 million for the year ended Dec. 31, 1987.

Display companies merge

SILVER SPRINGS, Md. — National Store Fixtures, one of the industry's leading gondola and racking suppliers, was sold in March by its founder, Gene Bukowski, for an undisclosed sum to Capitol Hardware Manufacturing.

The Chicago-based Capitol supplies display fixtures and perimeter hardware to department and specialty stores. The company is run by Ed Ehrenburg, who will be chairman and ceo of both companies. National's vp-sales Jerry Persall and vp-merchandising Gerald Moulds, will stay on.

Waxman buys electricals firm

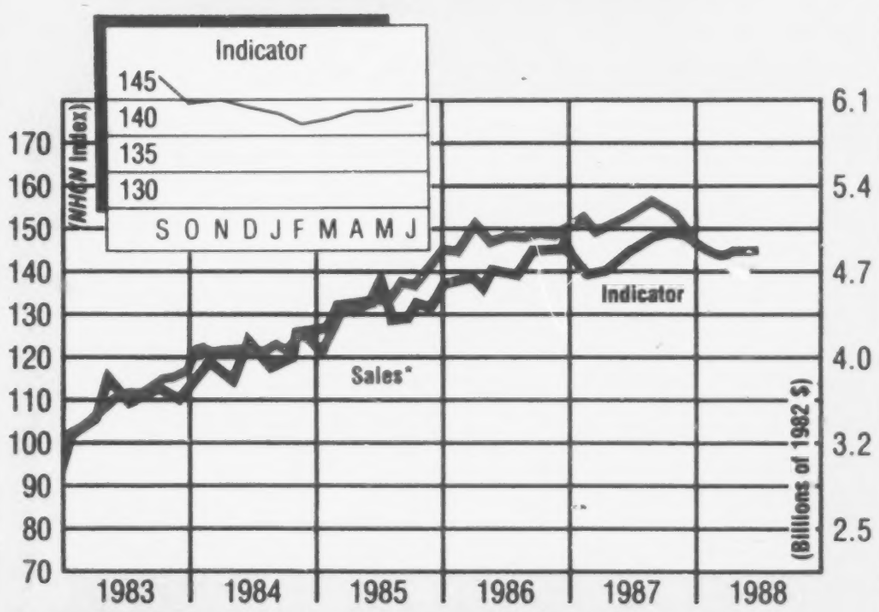
BEDFORD HEIGHTS, Ohio — Madison Equipment Co., a Cleveland-based manufacturer of electrical wiring products for the wholesale, commercial and DIY markets, was acquired in late March by Waxman Industries. The purchase price was not disclosed.

Bob Starr, president of Madison, said the firm generated 40 percent of its $6 million in 1987 sales from wholesalers like the Memphis, Tenn.-based Orgill Brothers and buying groups like Illinois' Liberty Distributors. Madison offers a wide range of electrical products and accessories.

Armond Waxman, Waxman's president, said the acquisition would expand its Electracraft line of bulk and packaged electrical products. Madison will take on some of Waxman's line in its distribution to commercial and industrial accounts.

Waxman said he anticipates growth both internally and through further acquisitions of "complementary businesses." The company secured a $55 million, three-year line of unsecured credit from four banks for its expansion.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a decline in sales in the near term due to weakness in single-unit housing starts. Business Watch (on page 79) highlights the East North Central states that should do well in 1988.

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Stockholder approval completes management LBO of Pay 'N Pak

By an NHCN staff editor

KENT, Wash.— Pay 'N Pak stockholders approved the merger of Pay 'N Pak Stores and PNP Prime Corp, New York, at a meeting held on March 21, a vote that effectively completes the leveraged buyout of the 100-unit chain by its management.

PNP Prime Corp. is the management group that now controls Pay 'N Pak. It is backed by Citicorp Capital Investors Ltd..

Last July, Rosewood Corp., now PNP Prime, initiated the $212.5 million buyout to block a takeover bid by Florida investor Paul Bilzerian. To complete the LBO, Pay 'N Pak assumed some $250 million in debt, estimated Sean Day, a Pay 'N Pak director.

Terms of the tender offer included cash payment for 81 percent of the common shares at $21 a share. The remaining 19 percent of common was exchanged for preferred stock valued at $22.31 a share.

Citicorp, an investor of PNP Prime, holds a 49 percent voting interest and a 20 percent nonvoting interest.

Douglas Southern, Pay 'N Pak's chief financial officer, said the company's preferred stock is currently being traded over pink sheets, but only Salomon Brothers is making a market in the stock. If a few more brokerages show an interest, the preferred could eventually be traded over the counter on NASDAQ.

In February, there was some question about whether this deal would take place, as Wall Street got nervous after Pay 'N Pak announced it had terminated negotiations to acquire an unnamed chain.

Vendors at last month's Home Center Show said Pay 'N Pak's officials were saying the unnamed chain was Ernst. Ernst's president, Hal Smith, was emphatic in his denial that there had been talks between the two companies. Pay 'N Pak has declined to comment about the negotiations.

Dealers and vendors ambivalent about fall RTA furniture show

By an NHCN staff editor

LINCOLNSHIRE, Ill. — Retailers and vendors are ambivalent about the International Ready-To Assemble (RTA) furniture show to be held in Atlanta this November.

As of March 1, 66 exhibitors had reserved space for the show, yet some retailers and vendors question the need for yet another convention.

Domestic vendors think it too costly for an "unproven" show and are concerned that it presents an ideal opportunity for foreign competition to enter the market. Armstrong World Industries, Sauder and American Forest Products are among leading manufacturers who will not be taking part in the event.

Other dealers welcomed the show, however.

"It's great to have one show dedicated just to RTA," said a buyer from a Northeastern chain who asked not to be named. "At High Point [the furniture show] and the Housewares show, I have to weed through the rest of the product to find RTA."

Several dealers and vendors did not agree and felt that their buying needs are already being met by the present shows.

All-American Home Center in Downey, Calif., is still undecided whether to attend.

"Its a tough decision whether to pay for the travel,"said merchandise manager Tom Farrell. "We usually see things at the home center and hardware shows. And the housewares show in January is now doing a better job."

American Forest Products, the unfinished furniture manufacturer, will not be exhibiting. Alex Malakauskas, director of marketing, considers it "too expensive for an unproven show. It costs three times more than the housewares show."

"We need less shows, not more; maybe this one is redundant," added Evert Slijper, president of Whittier Wood Products, Eugene, Ore., who nevertheless will be exhibiting at the show.

He also questioned the timing of the show, saying that anything bought in November could not be added to the line until the fall and therefore could be satisfied by the other shows held between January and April.

Vance Publishing, the show's sponsor, was unavailable for comment.

G-P board endorses plan to buy 18% of its outstanding shares

By an NHCN staff editor

ATLANTA — Georgia-Pacific's board of directors endorsed a plan to buy back as much as 18 percent of the company's outstanding shares.

T. Marshall Hahn Jr., chairman and ceo of G-P, said in a press release the effort to own a larger portion of the company is timed to take advantage of G-P's healthy financial condition while at the same time improving shareholder value.

The plan replaces an October 1986 stock repurchase program that sought to maintain debt-to-capital at 30 to 35 percent. Under that plan, G-P had repurchased more than 7 million shares. Under the new plan, G-P will elevate total debt-to-capital to as much as 40 to 45 percent.

Given the company's current stock price, which closed recently at $38.87 per share, the move to increase debt by as much as 45 percent would mean buying back as much as 18 percent of the company's 104 million outstanding shares.

"We believe an increased level of leverage is sustainable, given the strength of our discretionary cash flow," Hahn said in apparent reference to the company's impressive financial performance of late. G-P reported a 55 percent increase in profit in 1987 on sales of $8.6 billion, a 19 percent increase.

Gail Smith, a G-P spokesperson, said another reason for the buyback is that it allows the company to restructure its balance sheet from costly equity capital to less expensive debt capital.

Forest products analysts suggested that G-P may be repurchasing its shares to safeguard against a hostile takeover, since the effort will drive up the stock price. But a company spokesperson denied that the strategy behind the buy back was defensive.

INDEX

Advertisers Index	92	**Buying & Selling**	**53**
Classified	83,85,86	Advertising & Marketing	64
Company Index	92	Lumber Report	60
Editorial	14	Merchandising	53
		Merchandising Digest	66
Perspectives	**19**	New Products	68
Cover Story	20,21		
Independents	44	**Business Watch**	**79**
Regional News	42	Financial News	83
Systems & Operations	35	Housing	80
		Stocks	89

Handy Andy ready for battle in crowded Chicago suburb

By Gary S. Ruderman

CRYSTAL LAKE, Ill. — Handy Andy, one of the Midwest's largest DIY-oriented chains, on March 20 debuted its first new unit of the year in a highly competitive northwestern suburb here, 50 miles from Chicago.

The 65,000-square-foot home center has the highest profile in this crowded market due to Handy Andy's dominant newspaper advertising both in the city and suburbs. Yet other retailers believe this new player will draw business for all competitors.

Officials for the now 45-unit Handy Andy thought the key to the Crystal Lake store's drawing consumer business will be its presentation, particularly its 40 kitchen and bath vignettes and product assortment.

Since opening its 75,000-square-foot Elston Avenue unit in Chicago a year ago, Handy Andy has made refinements to its prototype. Gondolas in every department of the rectangular-shaped Crystal Lake store are primarily 7- and 8-foot high fixtures supplied by Lozier, which are lower than the Elston unit. Around the perimeter, backup inventory is stacked almost to the ceiling.

Strong promotional endcaps, informative product displays in the commodity areas and cross-merchandising—such as incorporating a display of kitchen cabinets into the storage products aisle—make the unit visually interesting. The store carries 25,000 stockkeeping units.

Installation is a service Handy Andy plans to offer here, and it had opening week promotions on garage doors, decks, siding and millwork.

About 10 percent of the floor space is devoted to housewares. A broad center aisle is being utilized for a drop-in "grand bazaar" department of high-racked wicker baskets. This new department's skus will be expanded, officials said.

Prior to the Crystal Lake unveiling, Handy Andy opened its Handy Andy XTRA concept of "boutique" departments in mid-March at the Elston Avenue store. Incorporating 17,000-square-feet of unleased storefronts into the building owned by Handy Andy, the retailer added housewares, lighting, space utilization products, RTA furniture and artwork.

Hank Kirschner, the chain's senior vp-marketing, said that while the Elston property was unique in its space availability, the XTRA concept could be added to new and existing stores.

The Crystal Lake area has been a magnet for home centers in recent years as a number of companies—Seigle's Home and Building Center, Wickes Lumber, Builders Square, Wolohan Lumber—have opened units within a 10-mile radius. "Old timers" in the area such as Alexander Lumber, a unit of the 84 Lumber chain, and several independents are somewhat insulated from retail competition by their contractor businesses.

Joe Campbell, manager of the 5½-year-old 84 Lumber unit less than a mile from Handy Andy, has seen an increase in business since Handy Andy opened. A manager of the Wickes Lumber unit, which opened a prototype 20,000-square-foot unit last October two minutes from the new Handy Andy, reported a similar increase.

The Handy Andy store in Crystal Lake, Ill., features strong promotional displays in commodities. It is not expected to crowd out smaller independents, however, who are insulated by contractor business. NHCN photos

Expert warns that drug abuse is growing in work force

By an NHCN staff editor

CHICAGO — David W. Smothers, a certified protection professional with the American Society of Industrial Security, told seminar attendees at last month's National Home Center Show that if illegal drug sales were categorized as a business and listed in the Fortune 500, it would be listed above IBM.

Smothers, president of D.W. Smothers Associates, Oakland, Calif., has a background in retail and industrial loss prevention, and is a former police officer. He has also served in the Military Intelligence Service of the U.S. Army.

In addressing the subject of substance abuse in the workplace, he listed alcohol as the leader, followed by marijuana, prescription and over-the-counter drugs, manufactured substances such as amphetamines, cocaine, and heroin.

Smothers said that 55 million young people admit to marijuana use, while 17.5 million admit to using coke. "Forty-two percent admit to drug abuse," he said.

"This is our workforce—people that report to work on a daily basis," said Smothers.

Smothers reiterated a statistic, first aired on an HBO cable TV special on drug abuse, that 88 percent of the nation's workforce was "abusing" alcohol and drugs. (He believes the percentage is probably half that). "Some of these people are being discharged from the military and coming to work for us."

That drug abuse occurs, however, is not so much the issue as how this abuse affects employee performance and productivity. Smothers stated that increased violence on the job, increased absenteeism and lower productivity were all results.

He described employees between the ages of 18 and 30 as more likely to use marijuana or cocaine enhanced with alcohol. Those between the ages of 30 and 40 were described as more likely to be dependent on prescribed substances and/or cocaine, and the 40 to 60 age group was most likely to have alcohol as its substance of choice to abuse.

"As a cost to business," Smothers said, "the average employee is likely to miss an average of 6½ days per year. The employee who abuses drugs [or alcohol] is likely to miss 22½ days.

"It's not the sole cause of absenteeism, but it [increases] the number of days out, decreasing productivity."

He told attendees that if they suspected a drug abuse problem, they should review their injury and accident reports of the previous six months. "Look at the indicators: lost time, lower production quotas, shrinkage, accidents, waste, violence, . . . they all impact business."

He suggested an undercover investigation, but did not elaborate on the issue of testing urine for drug presence except to say that it's important to have a well established company conduct the tests due to a recent proliferation of fly-by-night testing companies.

Smothers also suggested restricting employee movement during lunch hours, and he said that if lockers are issued, the company should also issue the locks so that the locker remains company property and can be searched without a warrant.

Smothers' sources include U.S. Government studies, Federal Drug Enforcement Agency studies, and studies conducted by the National Retail Merchants Association.

Recognizing illegal drug use

The enforcement of a drug abuse policy is the first step toward controlling the use of illegal drugs in the workplace. And recognizing the signs and symptoms of illegal drug use is key to that goal.

David Smothers, president of D.W. Smothers, Oakland, Calif., has assembled a list of illegal drugs, their effects, impairments, chronic use problems and recognition signs:

AMPHETAMINES:

- ***Effect:*** Nervous system stimulation, feeling of euphoria, self confidence, increased speech.
- ***Impairment:*** Decreased ability to perform complex muscle or mental tasks. Decreased inhibition with possible violence. Increased risk taking. Overdose results in sedation-like effect with possible coma, death or psychotic reaction.
- ***Chronic use problems:*** Addiction, impaired mental function, heart and liver damage.
- ***How to recognize:*** Dilated pupils, dry mouth, hyperactive speech and movements.

COCAINE:

- ***Effect:*** Intense euphoria for 15 to 45 minutes followed by a lower level of well being.
- ***Impairment:*** Stimulation of the nervous system, impaired ability to perform complex physical or mental tasks that require judgment or precise muscle function.
- ***Chronic use problems:*** Nasal ulcer, paranoia, sinusitis, depression and lack of energy.
- ***How to recognize:*** Dilated pupils, runny nose or, person may "sniff" often, mood changes, unreliable, always needs money, dishonesty.

CRACK:

- ***Effect and impairment:*** See Cocaine.
- ***Use problems:*** Paranoia, violence, eyes sensitive to light, memory loss, brain seizures.
- ***How to recognize:*** Dilated pupils, chronic cough and black phlegm, chest congestion, rapid mood changes, constant or daily need for money; in advanced stages behavior is virtually indistinguishable from schizophrenia.

MARIJUANA:

- ***Effect:*** Whites of eyes will redden and puffiness will develop under the eyes.
- ***Impairment:*** Dizziness and disoriented behavior, which will lead to relaxed inhibitions. High doses of concentrated marijuana can result in distortions of body image, a loss of contact with reality and hallucinations.
- ***Chronic use problems:*** Lowered productivity, accidents, eventual memory loss.
- ***How to recognize:*** Dilated pupils, reddened whites of eyes, "glassy" stares, dryness of mouth, increased appetite, yellowish coating on tongue, fingers and fingernails, mood changes, need for money.

Top industry advertisers boost 1987 TV budgets

By an NHCN staff editor

NEW YORK — Builders Square surpassed Payless Cashways as the industry's biggest spender on television in 1987, according to figures released last month by the Television Bureau of Advertising here.

Overall, the top 15 industry TV advertisers spent 18.5 percent more on this medium last year than they did in 1986. Total expenditures among these chains was $47,516,600 *(see chart for individual breakdowns on page 64).*

The largest individual spending increase, according to TvB's tabulations, was by HomeClub, the Fullerton, Calif.-based chain that increased its store count by eight units to 36 last year and jacked up its TV advertising budget 205 percent to $3,960,800.

Another company using television to a greater extent was Grossman's, the Braintree, Mass.-based chain whose TV advertising expenditures rose 106 percent last year to $3,960,800.

The most significant decrease in TV advertising spending came from Wickes Companies, and particularly Wickes' Builders Emporium and Ole's Home Center chains. Wickes' other chains—Orchard Supply Hardware and Wickes Lumber—also saw spending dips in TV advertising.

In total, Wickes Companies' TV expenditures were off 41 percent to $5,457,900.

Builders Square's rise to the top of the TV advertising pack corresponds to the warehouse chain's rapid expansion over the past two years. The San Antonio, Texas-based chain increased its total store count by 36 percent to

(Continued on page 64)